

RECEIVED

MAR 15 1996

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
 ) PP Docket No. 96-17  
Improving Commission Processes )

AMERITECH COMMENTS

DOCKET FILE COPY ORIGINAL

Ameritech respectfully submits the following comments on the Commission's Notice of Inquiry (Notice) in the above-captioned docket. Ameritech applauds the Commission for initiating this proceeding. The Telecommunications Act of 1996 (the 1996 Act) will greatly accelerate the development of competition in all sectors of the telecommunications industry. It will build upon the measures the Commission and some states have already taken to open markets to competition. As Congress recognizes, these changes require a fundamental rethinking of the manner in which the industry is regulated. The Commission must promptly eliminate regulatory policies that skew the marketplace and stand in the way of full and fair competition. It must also streamline regulations, as required by the 1996 Act, in order to reduce unnecessary regulatory burdens.

In the Notice, the Commission proposes various measures to streamline its processes. Ameritech supports these measures as constructive, though modest, first steps towards regulatory reform; however, the Commission must turn its attention to more fundamental reform -- both substantive and procedural. Some measures have already been proposed in other dockets -- for example, the Commission's price cap proceeding for local

No. of Copies rec'd 049  
List ABCDE

exchange carriers (LECs).<sup>1</sup> The Commission should adopt these proposals expeditiously.

Additional steps, however, must also be taken. For example, the Commission should relieve LECs that are not subject to rate-of-return regulation or sharing obligations in any regulatory jurisdiction from burdens associated with the Commission's Part 32, Part 36, and Part 64 rules. Likewise, the Commission should promptly eliminate depreciation prescriptions for LECs subject to price caps without sharing at the federal level. In addition, the Commission should eliminate reporting requirements that have outlived their usefulness, such as the local transport restructure reports. The Commission should also establish guidelines that would require staff, in the absence of extenuating circumstances or good cause, to complete all proceedings within a specified period of time.

The Commission should be cognizant, however, that regulatory reform is not just a matter of procedural change. It is a mindset that must be institutionalized. It must affect the way the Commission approaches its day-to-day responsibilities -- its biases and inclinations and assumptions. It requires a continual questioning of the usefulness of and need for old regulatory tools. These types of changes are as important as the procedural changes at issue in this docket. Ameritech looks forward to working with the Commission as it implements these changes.

---

<sup>1</sup> See Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Second Further Notice of Proposed Rulemaking, FCC 95-293, released September 20, 1995.

A. The Commission Should Implement the Proposals in the Notice

Among the suggestions offered in the Notice for streamlining Commission processes are proposals to: make greater use of electronic filings; privatize Commission functions, when appropriate; and make greater use of public fora and industry meetings as a part of the Common Carrier Bureau's regulatory processes. Ameritech supports each of these measures. Electronic filings can reduce paper burdens for the industry and facilitate research by FCC staff. All bureaus should implement such procedures in a coordinated fashion.<sup>2</sup> Privatizing certain Commission functions would enable the Commission to rely on entities that can more efficiently perform certain functions, while freeing up much-needed Commission resources for other work. Informal industry meetings and fora can be a valuable tool for gathering information and expediting the resolution of certain issues. Such meetings were critical to the successful implementation of the 800 data base system, and they should be used, as appropriate, in other contexts in the future.

B. The Commission Should Eliminate Accounting Rules and Reporting Requirements that are Vestiges of Rate-of-Return Regulation or that are Otherwise Unnecessary

In the Notice, the Commission correctly observes that the Common Carrier Bureau has taken steps to streamline its filing processes and eliminate

---

<sup>2</sup> Ameritech notes, however, that the benefits of the Commission's electronic filing procedures to the industry could be diminished if different bureaus use different software and establish different filing procedures. Ameritech appreciates that budgetary constraints may preclude the Commission from investing in new software at this time. Nevertheless, to the extent possible, the Commission should strive for consistency in electronic filing procedures.

unnneeded reports. It seeks comment on whether other reporting requirements could also be eliminated and whether other regulatory actions concerning regulation of common carriers could be taken to reduce regulatory burdens.<sup>3</sup>

Ameritech commends the Commission for the steps it has taken thus far to streamline reporting requirements, as well as for the Notice of Proposed Rulemaking released February 27, 1996, which proposes the elimination of additional filing requirements.<sup>4</sup> These are only first steps, however. Other streamlining measures should be undertaken and other reports eliminated.

Most importantly, the Commission should relieve LECs that are no longer subject to rate-of-return regulation or price cap sharing mechanism in any of their regulatory jurisdictions from Part 32 Uniform System of Accounts (USOA), Part 36 separations, and Part 64 cost allocation requirements. These rules are based on a cost of service/rate of return mode of regulation under which the Commission was required to police LEC accounting and cost allocation practices to ensure that rates properly reflected costs. The Commission has recognized that a system of pure price caps, with no sharing of earnings, effectively eliminates any incentive for misallocating costs.<sup>5</sup> That being the case, these requirements would appear to serve no

---

<sup>3</sup> Notice at paras. 9, 24, and 30.

<sup>4</sup> Revision of Filing Requirements, Notice of Proposed Rulemaking, CC Docket No. 96-23, FCC 96-64, released February 27, 1996.

<sup>5</sup> Price Cap Performance Review for Local Exchange Carriers, 10 FCC Rcd 8962 (1995), at para. 187.

purpose as applied to LECs that are no longer subject to rate-of-return regulation or price cap sharing mechanisms in any jurisdiction.

Not only are these accounting and cost allocation requirements unnecessary for such LECs, they are also extremely costly. For example, Ameritech currently employs sixteen people full-time, at an annual cost in excess of \$1.5 million, to produce separations data required by the Part 36 rules. It requires twelve full-time employees and a number of other employees on a part-time basis to comply with Part 64 and significant additional resources to comply with Part 32. These burdens disadvantage Ameritech in the marketplace, since most of its competitors are not subject to these rules.

Given that existing accounting and cost allocation requirements are both burdensome and unnecessary as applied to LECs that are subject to price caps without sharing in all jurisdictions (or other regimes that sever the tie between rates and earnings), the Commission should relieve such LECs from the obligation to comply with these rules. Ameritech recognizes that the Commission cannot change its Part 36 rules without Joint Board action; however, it can grant waivers of these rules. It can also amend or waive its Part 32 and Part 64 rules. It should promptly do both of the above.

If the Commission is not prepared at this time to eliminate the application of these rules to pure price cap LECs, it should, nevertheless, take whatever steps it can to reduce the burdens of these provisions. At a minimum, the Commission should take the following measures to reduce the burdens of carriers not subject to rate-of-return or sharing in any

jurisdiction. First, it should grant waivers that would permit them to freeze separations allocators as of a particular point in time, and then use those frozen allocators to perform the separations process in compliance with Part 36. Such a measure would substantially reduce the burdens associated with the separations process. Second, as requested in two 1994 petitions filed by the United States Telephone Association, it should raise the expense limit in Part 32 from \$500 to \$2000, and it should adopt a vintage amortization level of accounting, in lieu of the current detailed record requirements, for certain support assets.<sup>6</sup> Third, it should relieve such carriers from the obligation to file the ARMIS 43-01, 43-02, 43-03, and 43-04, 495A and 495B, and it should streamline affiliate valuation standards, based on industry standards and Generally Accepted Accounting Principles (GAAP). It should also immediately implement section 402 of the 1996 Act, which provides that carriers may file cost allocation manuals and ARMIS reports annually.

In addition to the measures described above, the Commission should cease prescribing depreciation rates for carriers subject to pure price caps at the federal level. The Commission has indicated that it recognizes that there is no longer a need to prescribe depreciation rates for such carriers. It is presumably for this reason that it sought and received authorization in the

---

<sup>6</sup> The Commission has issued a Notice of Proposed Rulemaking in response to one of these petitions; however, the Commission proposed to raise the expense limit only to \$750, not \$2000, as requested. See Revision to Amend Part 32, Uniform System of Accounts for Class and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from \$500 to \$750, Notice of Proposed Rulemaking, 10 FCC Rcd 5979 (1995). The Commission has received comments on, but has not taken any further action on the other petition. See Petition for Rulemaking to Amend Part 32 of the Commission's Rules to Eliminate Detailed Property Records for Certain Support Assets, filed by the United States Telephone Association, RM-8640, May 31, 1994.

1996 Act to eliminate depreciation prescriptions.<sup>7</sup> Having received such authority, the Commission should now exercise it without delay.

The Commission's tentative schedule of proceedings to implement the 1996 Act indicates that the Commission plans to wait until 1997 to consider eliminating depreciation prescriptions. That is too long a time to wait. Ameritech appreciates the monumental burdens that the 1996 Act places on Commission resources. Ameritech also recognizes that the Commission likely has chosen to wait until 1997 because it may be able to eliminate depreciation prescriptions for all LECs at that time, assuming the Commission revises its price cap rules to eliminate the sharing option. Rather than wait, however, the Commission should initiate a proceeding now and hold that its depreciation requirements no longer apply to any LEC that is not subject to sharing, either through an election or the elimination of sharing altogether. That would obviate the need to consider individual waivers, while expediting relief for LECs that warrant it now.

Finally, the Commission should eliminate its requirement that the Bell Operating Companies and GTE provide quarterly local transport restructure (LTR) reports.<sup>8</sup> These reporting requirements, which were designed to ensure that the interim transport rate structure did not have an adverse effect on small long-distance carriers, are clearly no longer necessary. Indeed, since this reporting requirement was imposed, in December 1993, the

---

<sup>7</sup> See Section 403(d) of the 1996 Act.

<sup>8</sup> This reporting requirement was originally imposed for only one year; however, the Commission subsequently extended it. See Transport Rate Structure and Pricing, CC Docket No. 91-213, FCC 94-325, Third Memorandum Opinion and Order on Reconsideration and Supplemental Notice of Proposed Rulemaking, released December 22, 1994 at para. 32.

market share of third-tier carriers (those other than AT&T, MCI, and Sprint) has risen substantially -- from 15.4% as of the fourth quarter of 1993, to 17.6% as of the third quarter of 1995.<sup>9</sup> During 1994, while AT&T, MCI, and Sprint experienced a one to three percent growth rate in subscriber lines, LDDS experienced 115% growth, and other small carriers experienced a whopping 444% growth.<sup>10</sup> Surely, these facts demonstrate that the LTR reports are no longer necessary. The Commission should therefore eliminate this filing requirement.

C. The Commission Should Adopt Guidelines to Ensure the Expeditious Resolution of Proceedings

In addition to the substantive reform measures, described above, the Commission should adopt internal guidelines that would help ensure that proceedings are resolved in a timely manner. Ameritech appreciates the enormous burdens the 1996 Act imposes on the Commission, and that the Commission must prioritize its work in order to best serve the public interest. Nevertheless, Ameritech believes that self-imposed guidelines which establish outside time limits or target deadlines for the completion of various types of proceedings (such as rulemakings, waivers, etc.) for which there are no statutory timetables would help to ensure that all proceedings are resolved in a reasonably expeditious manner. Each Bureau should be expected to meet such deadlines, absent extenuating circumstances or good cause.

---

<sup>9</sup> Long Distance Market Shares, Third Quarter 1995, Industry Analysis Division, Common Carrier Bureau, FCC, January 1996, at Table 6.

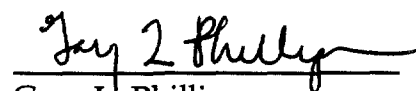
<sup>10</sup> Id. at Table 4.



D. Conclusion

Ameritech welcomes this initiative to consider proposals for streamlining Commission processes. True regulatory reform, however, requires substantive, as well as procedural change. It requires the prompt elimination of unnecessary and burdensome regulations. It requires special scrutiny of regulations that skew competition because of their asymmetric application. Ameritech has described some such regulations and some measures the Commission should take immediately to reduce regulatory burdens. These measures, however, represent only a start. The Commission should continue to review its policies to identify and eliminate regulatory burdens that do not serve the public interest.

Respectfully Submitted,

A handwritten signature in black ink, reading "Gary L. Phillips", written over a horizontal line.

Gary L. Phillips  
Counsel for Ameritech  
1401 H Street, N.W. Suite 1020  
Washington, D.C. 20005  
(202) 326-3817

March 15, 1996